

CHAPTER 5

LINE ITEM DESCRIPTION AND RECONCILIATION

5.1 INTRODUCTION

This chapter provides instructions for new Budget Request documents Line Item Description and the Reconciliation. Section 5.2 discusses a former element of the Base Budget Request — Assumptions and Calculations. Section 5.3 discusses the purpose of the Reconciliation and Section 5.4 delineates the required components. Section 5.5 covers the Reverse Mark, and Section 5.6 describes the Line Item Description.

5.2 ASSUMPTIONS AND CALCULATIONS

Departments previously were required to submit a document titled the Assumptions and Calculations as a part of the November 1 Budget Request cycle. The Assumptions and Calculations document was used to reconcile the current appropriation with the request for the upcoming fiscal year. There was not a standard format for the Assumptions and Calculations, and some departments used a spreadsheet format while others used a narrative format. For the FY 2009-10 Budget Request cycle, there is no document called the Assumptions and Calculations, but there are similar documents now required to meet certain needs.

5.3 PURPOSES OF THE RECONCILIATION

Starting in FY 09-10, the Office of State Planning and Budgeting will be using the Reconciliation to aid in the Reverse Mark process. Therefore, on May 15, all Executive departments will complete the Reconciliation for the Base Request only, as described below, and submit one electronic copy (in Excel format) and one hard copy to their assigned OSPB Analyst. This information will be used by OSPB Analysts to confirm the appropriation and to establish the best estimate of the base request.

The Reconciliation is also a key document for the Office of State Planning and Budgeting and the Joint Budget Committee staff to understand that Base Request as described in the Schedule 3. Therefore, an updated Base Request Reconciliation is required on September 12, 2008 so that it can be validated against the Schedule 2s and 3s which are due on the same date. OSPB Analysts will compare the May 15 Reconciliation and the September 12 Reconciliation, so any changes or discrepancies should be clearly noted and justified by the department.

After Executive Budget Hearings have been concluded in the fall and departments finalize their Schedules based on the final Executive decisions, the Reconciliation is submitted one last time on October 17; this time with OSPB-approved Change Requests for a total November 1 Budget Request. At this point, the Reconciliation is not expected to change and will be assumed as final for the Governor's Budget Request.

5.4 RECONCILIATION

The Reconciliation is an Excel spreadsheet that builds from the last Long Bill appropriation to the Base Request. It allows the department, Office of State Planning and Budgeting, and Joint Budget Committee to clearly understand how the November 1 Request was developed. The totals in the Reconciliation must match exactly to the FY 2009-10 Request in the Schedule 3.

The Reconciliation is completed for every line item:

- It starts with the most recent Long Bill appropriation, and includes both the number and year for the specific Long Bill.
- Next, all special bills from the most recent legislative session that have an appropriation for that line item are designated, by year, number, and name (i.e., “HB 08-1015 Local Governments in Marketing Activities”).
- The Long Bill appropriation plus all special bills totals to the FY 2008-09 Total Appropriation. Although there is no total for this provided by Long Bill line item, the Total Appropriation is found by Long Bill group at the end of the spreadsheet. At the very end of the Reconciliation, the Total Appropriations for each Long Bill group are totaled for a department Total Appropriation.
- Fiscal impacts related to Decision Items, Base Reduction Items, Budget Amendments, or other JBC action are incorporated into the Long Bill, but annualizations that were approved in those items for the out year must be shown in the Reconciliation. For example, if two FTE were appropriated starting in the middle of FY 2008-09, then an annualization adjustment would be made in the FY 2009-10 base request to increase the number of FTE and associated dollars to account for a full year, and also to eliminate one time operating costs that were appropriated for the year. Annualizations for Change Requests should appear in the following format: “Annualization of FY 2008-09 BRI#1: “Cost Recoveries from Contractor Overpayments.”
- The next items in the list are annualizations for special bills; that is, bills that passed in the most recent legislative session may have one time costs that need to be added or subtracted in the out year. These items should be listed by fiscal year and by bill year, number, and name, such as “HB 08-1379 Water Quality Fees, Annualization.” For instance, if a bill requested an FTE starting in March 2009, annualizations for FY 2009-10 would convert the salary from three to twelve months and remove the initial year one time operation costs. Annualizations would also remove one time system costs as long as the estimate and concept were described in the initial budget request or fiscal note.
- Personal Services will also have automatic annualized adjustments that should be shown in the Reconciliation, such as Salary Survey and Achievement Pay. These appropriations are discussed in more detail in Chapter 8, Common Policy Instructions.

For this purpose, annualizations are 1) formerly-described adjustments that convert FY 2008-09 estimates into FY 2009-10, 2) statutorily mandated standard adjustments such as Medicaid caseload and utilization or Corrections volume adjustments, 3) POTS annualizations, 4) common policy for fleet vehicles, and 5) leap year adjustments. Annualizations that do not meet OSPB criteria must be submitted as separate Change Requests.

Emergency 1331 Supplemental Requests approved by the Joint Budget Committee for the FY 2008-09 Request Year may be adjusted for annualizations as described above in the Base Budget Request.

There are some specific requirements for the formatting and delineation of the Reconciliation:

- The final Base Request identified in the Reconciliation must tie to the requested base amounts (prior to Change Requests) on the Schedule 3.
- The Reconciliation should be presented by Long Bill line item, in Long Bill order, and include funding sources and splits for every row and adjustment.
- Zeroes are to be included for every cell where no other dollar amount applies. This allows users to easily see that numbers have not been inadvertently left out.
- Dollars should have dollar signs, in currency format, and FTE should be to one decimal. The Reconciliation is to be to the one dollar.
- The name of the department must be on the first page starting with every Long Bill group and also in the footer. Page numbers must be presented on every page. The document should be printable and readily readable.
- Departments should hide rows that do not apply (ensuring only zeroes are included in hidden rows) and should hide fund source rows that are never used by the department in that Long Bill group (such as HUTF for some departments and Medicaid Cash Funds for some departments).

Many line items in the budget include both personal services and operating expenses. OSPB would prefer that departments identify the separate components (personal services and operating expenses), including funding splits, for lines that combine these two different types of expenses, as they will be handled quite differently during Figure Setting. OSPB will consider making this a requirement for the FY 10-11 process.

The reconciliation must be submitted to OPSB in both electronic and hard copy format on all the due dates required, which are on the Budget Cycle Calendar and in Chapter 1 of these Budget Instructions.

Reconciliation tables that represent the official request are encouraged to be provided to Joint Budget Committee staff, upon JBC staff request. This will save JBC staff time in entering data and illustrate the department formulas. Working tables, calculations, and comments that were not submitted with the Governor's request, but that the department wishes to provide to JBC staff, must be cleared with OSPB prior to submission.

The template and an example for the Reconciliation are available at Appendix A.

5.5 REVERSE MARK

OSPB utilizes a Reverse Mark process. As described above, the foundation for the Reverse Mark is the May 15 submission of the Reconciliation.

OSPB acknowledges that not all bills will be acted upon by this time, but departments are asked to make the best estimates that they can, based on knowledge of bill status. Rough projections will need to be used for the May 15 submission until complete estimates are developed for the September 12 submission.

Please note that OSPB will be assessing supplemental criteria very carefully to ensure that the regular and 1331 supplemental processes are not used to pass Change Requests that cannot be funded by the Reverse Mark process.

A Reverse Mark will be provided to departments by approximately June 16, 2008. Departments should understand that should the May 15 Reconciliation referenced above require revision upwards after budgets are more fully developed, Change Requests at the lowest priority may be eliminated in order to balance the budget to the Reverse Mark.

5.6 LINE ITEM DESCRIPTIONS

Starting in FY 2009-10, a new document is required for the November 1 Budget Request. This document will evolve over the next couple of years, starting with more basic information and extending the information in future years.

This document is important because the Figure Setting documents are reflections of staff recommendations, not final appropriations, and because the Appropriations Report is rather general in nature. The Line Item Descriptions serve as the State's only historical document reflecting final action.

Departments are asked to submit a narrative document, a template of which is provided at Appendix A, that provides a description and history of each line item in the 2008 Long Bill (and new lines appropriated via special bills). That is, there will be a description for each line item provided in the Schedule 3s for the appropriation year and the request year.

For the FY 2010-11 Budget Request, departments will expand the Line Item Descriptions to address all years that are presented in the Schedule 3 (two actual years, appropriation year, and request year). In this way, the Line Item Descriptions are a supplement to the Schedule 3 and to the Reconciliation.

There are several key components that should be included in the Line item Descriptions:

- A brief explanation of the origination of the line item ("This line item was established through FY 2008-09 November 1, 2007 Decision Item #1 titled "Tuberculosis Control and

Treatment;” or “The Joint Budget Committee funded this line item through the FY 2009-10 Figure Setting process in attempts to address the lack of resources that the Department was able to apply to the State Auditor’s Office recommendations.”)

- A history of the action on the line item during the time period required by OSPB. Only budget requests and appropriation changes should be reflected, unless additional information is desired.
- When historical actions are referenced, the source should be cited exactly, including request year, date submitted, Change Request number and title, Figure Setting or Joint Budget Committee action date and page number, if applicable. This is so that if the department, OSPB, or JBC staff wish to research the history, they can locate the documents easily.
- Tables do not need to be included. Departments should feel free to reference the Reconciliation or Schedule 3 to delineate specific history if this is the best reference.

The Line Item Description must be submitted in landscape format, 12 pt Times New Roman, with full paragraph justification. It should provide one inch margins, page numbers and the name of the department in the footer, and the title of the document in the header, along with the budget request year.

While Line Item Descriptions should be shorter than those illustrated below, these examples reflect rather comprehensive approaches. Please see the insert on the following page for several examples of Line Item Descriptions:

Example 1 [does not reflect actual information]:

COLORADO BENEFITS MANAGEMENT SYSTEMS ELIGIBILITY AUDIT-TRANSFER TO THE STATE AUDITOR

This appropriation was for one-time funding in FY 07-08 as part of the statewide single audit for FY 06-07, conducted by the Office of the State Auditor. This was one of two audits regarding the Colorado Benefits Management System in FY 06-07. Funding for this appropriation originated partially in the Office of the State Auditor's budget, where the State share of total expenditures was appropriated as General Fund. These funds were transferred to the Department, appearing as Cash Funds Exempt in this appropriation, and were matched with Title XIX federal funds, before being transferred back the Office of the State Auditor's budget.

This appropriation was to fund sampling and county site visits as part of an audit required by the federal Office of Management and Budget Circular A-133. Specifically, the Office of the State Auditor is required under the statewide single audit to audit major federal programs and the Office of Management and Budget Circular A-133 required audits of recipients of federal moneys based on expenditures, generally above \$500,000 (Department of Human Services Supplemental Hearing document, January 13, 2008 page 15).

This audit focused largely on whether payments were made to eligible individuals, and if payments were both appropriate and allowable under federal and State law. This funding was also to cover costs associated with auditors visiting seven counties: three large, two medium, and two small-sized counties. Visits were to identify how program delivery was conducted at the county level, in addition to review of: 1) county methodologies for defining and tracking the time-frame required for the application process; 2) county policies and tracking methods regarding applicants who do not have required documentation at the initial application; and 3) county methodologies for tracking and eliminating backlogs related to applications and redeterminations (Department of Human Services Supplemental Hearing document, January 13, 2008 page 15).

Funding in FY 07-08 was equal to \$68,250 and was determined by the Office of the State Auditor. Funding was appropriated through the passage of HB 06-1217, the Department's FY 05-06 Supplemental Bill, based upon the Department's request (non-prioritized Supplemental S-2, January 3, 2006). There was no appropriation for FY 08-09, and there is no Base Request for this line item as it is now discontinued.

*Example 2:***MENTAL HEALTH AND ALCOHOL AND DRUG ABUSE SERVICES - MENTAL HEALTH INSTITUTES**

Mental Health Institutes provide inpatient hospitalization for persons with severe and persistent mental illness. These facilities provide both evaluation services and treatment for those individuals who cannot function in less restrictive settings. The State operates two hospitals for the severely mentally ill: the Fort Logan Mental Health Institute located in Denver, and the Pueblo Mental Health Institute. The institutes provide inpatient psychiatric hospital services to citizens of Colorado (ages five and older) having a major illness such that the individual cannot be expected to function and/or be treated in the community. Both locked and unlocked treatment units are provided with a wide variety of assessment and treatment services offered to patients. Services include: individual, group, and family therapy; treatment goal setting; work therapy; community readiness skills; medication and health education; education programs (ages K-12 and adult); pastoral services; substance abuse education and treatment; and discharge and aftercare planning (Department of Human Services' Narrative, November 15, 2006, pages C-8-43 to 45).

The Department was appropriated continuation funding from FY 04-05, of \$4,522,820 in the FY 05-06 Long Bill (SB 05-209). The only change between the final FY 05-06 appropriation and spending authority in the FY 06-07 Long Bill was an increase of \$423,288 related to patient revenue projections (Department of Human Services' Figure Setting, March 10, 2006, page 61). Therefore, the FY 06-07 Long Bill appropriation was \$4,946,108. In FY 06-07, the Department of Human Services submitted a request (NP – S10) to adjust funding at the regional treatment centers. The request reduced the appropriation by \$677,770. However, because the request was intended to reduce the appropriation to the Mountain Star facility, which is funded out of the Child Welfare appropriation, the reduction to the Mental Health Facilities was made in error. To correct for this, the Long Bill Add-ons (SB 07-239) reinstated this funding and made two other adjustments: 1) a decrease of \$1,601,705 to adjust for lower client utilization, and 2) an increase in funding in the amount of \$2,117,551 as a one-time adjustment for the savings associated with moving to cash accounting. The sum of the three part adjustment to the appropriation was \$1,193,616. The final FY 06-07 appropriation, taking these changes into account, was \$5,461,954.

To build to the FY 07-08 appropriation, the Joint Budget Committee annualized the effects of the changes made in the Long Bill Add-ons (SB 07-239) by removing the \$1,193,616 adjustment, and re-adjusted the appropriation for the initial \$677,770 decrease. In total, the Joint Budget Committee decreased the final FY 06-07 appropriation by \$2,117,551 to reverse the one-time savings for moving to cash accounting realized in FY 06-07 to reach the FY 07-08 Long Bill appropriation (SB 07-239). The Department is requesting continuation funding for FY 08-09.